

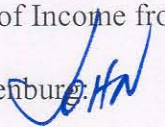


Doug Sutherland
Commissioner of Public Lands

November 19, 2005

The Honorable John W Ladenburg, County Executive
Pierce County
930 Tacoma Ave S
Tacoma, WA 98402

Subject: Projection of Income from State Forest Board Lands

Dear Executive Ladenburg: 

State forest board lands in Pierce County generated \$130 thousand actual revenue during the first three quarters of calendar year 2005. Net value projected for harvest in the remaining quarter of calendar year 2005 is \$1.5 million. The total of actual plus projected revenue for calendar year 2005 is \$1.6 million. This represents an increase of \$470 thousand from the July 2005 report. The net value under contract projected for harvest in 2006 is \$1.6 million. Net value under contract for harvest after December 2006 is estimated at \$0.0. This timber could be harvested earlier if market conditions, purchaser harvesting plans, and/or regulatory requirements warrant.

The figures in this report are based on a survey of purchasers with timber sales under contract as of September 30, 2005. Sales sold throughout the remainder of calendar year 2005 and 2006 could provide additional revenues to your county. Department of Natural Resources' region staff should be contacted concerning possible fluctuations in timber harvest for sales under contract, and the schedule of future sales activity on state forest board lands.

Total revenue from all state forest board lands distributed during the first three quarters of calendar year 2005 was \$62.2 million. Net value projected for harvest in the remaining quarter of calendar year 2005 is \$21.9 million making 2005 total revenue of \$84.1 million. The actual plus projected total for 2005 represents a decrease of \$2.1 million or 2.5 percent from the projection in the July 2005 report. Net value under contract projected for harvest in calendar year 2006 is \$23.4 million and the total net value under contract projected for harvest after December 2006 is estimated at \$3.1 million.

Timber removals projected for 2005 and 2006 indicate revenues from state forest board lands will remain near the levels reached in 2004. Harvest activity continues to be volatile as purchasers balance their timber supply options and mill inventory needs with changes in end-product markets.

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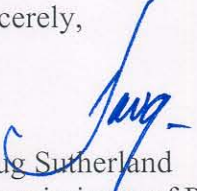


The Honorable John W Ladenburg
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The primary drivers for individual purchaser's timber harvest plans remain market conditions, both domestic and foreign, with timber supply concerns, contract requirements, and regulatory requirements influencing individual sale harvest decisions.

The next projection of state forest board revenues will be available in January 2006. Randy Acker, South Puget Sound Region Manager, can advise you of department management programs in your county, as well as other activities impacting revenues. Randy can be reached at 360.825.1631.

Sincerely,



Doug Sutherland
Commissioner of Public Lands

Enclosures

ac

County Income Report October 2005

Income from management activities on state forest board lands is designated for allocation to several taxing districts in each county, depending upon the location of the activity in that county. Only a very small amount is available for discretionary use by the county.

Revenue from state forest board lands come primarily from harvested timber. Lease activities and rights-of-way applications provide additional sources of revenue. Another source of revenue to the counties is leasehold tax returns, which will vary with the amount of lease activity in any given year.

Table 1 shows the annual revenue for each county from calendar year 1996 through calendar year 2005. As is evident in Table 1, total revenue varies considerably from year to year. Many of the key variables responsible for high revenues in one year can also lead to reduced incomes the following year.

Revenue projections for each of the 19 counties with state forest board lands were made for the one remaining quarter of calendar year 2005 and all of calendar year 2006. **Table 2** includes the summary of all timber harvest projections listed in Table 2A, and is combined with an estimate of additional revenue from leases, rights-of-way applications, and other activity on state forest board lands. **Table 2A** presents projected revenue for each timber sale on state forest board lands.

Table 3 presents the volume and net value under contract as of September 30, 2005 that is not currently scheduled for harvest until after December 2006.

These projections were developed by Department of Natural Resources' region staff who contacted each timber sale purchaser with sale rights, to determine approximately how much and when they planned to harvest the timber in each sale.

Projections for each sales anticipated harvest should be considered a rough estimate only, as actual removal activity depends on individual sale characteristics (species, volume, location, etc.), combined with outside market factors as determined by each purchaser.

The schedule of future state forest board timber sales in your county is available upon request from Department of Natural Resources' region staff.

Table 1. Revenue to Counties from State Forest Board Transfer and Purchase Lands (Calendar Years)

Updated: 10/5/05

County	1996	1997	1998	1999	2000	2001	2002	2003	2004	Jan - Sep 2005
Clallam	\$21,453,508	\$10,271,598	\$12,686,274	\$8,067,336	\$5,758,321	\$6,963,919	\$3,600,540	\$4,777,301	\$4,426,097	\$4,209,059
Clark	2,847,886	5,021,940	6,007,736	5,201,304	2,366,311	3,573,835	2,313,003	3,820,106	4,092,569	3,547,118
Cowlitz	4,079,212	3,357,206	3,017,014	3,348,777	1,212,652	1,839,302	5,001,470	2,934,808	215,329	3,537,287
Grays Harbor	2,780,804	4,943,351	1,784,346	2,028,606	2,352,472	1,862,881	3,293,823	2,107,685	1,776,300	1,870,962
Jefferson	3,272,441	556,130	1,957,760	1,663,170	1,649,297	518,203	1,778,453	889,650	1,631,808	2,607,011
King	1,096,697	2,993,582	2,160,183	3,223,396	1,143,568	1,835,851	1,976,627	2,889,619	4,388,319	504,398
Kitsap	725,435	3,004,528	406,398	753,902	599,418	729,223	31,508	626,030	1,109,673	685,185
Klickitat	1,282,502	15,947	15,094	907,813	1,306,269	1,988,025	263,951	1,207,848	112,777	1,139,402
Lewis	12,892,185	12,302,198	14,631,380	12,730,883	10,052,997	3,945,857	1,534,075	5,493,493	4,356,765	2,130,722
Mason	1,268,182	2,081,988	2,357,532	1,837,711	2,799,623	1,321,104	2,382,746	2,379,357	5,336,229	3,596,538
Pacific	592,612	3,194,157	2,296,047	6,323,846	2,771,851	4,007,787	969,916	1,875,588	2,051,170	2,211,674
Pierce	8,463	1,871,447	607,701	1,943,460	529,510	1,469,706	2,237,462	3,571,913	5,620,352	1,512,871
Skagit	8,888,129	11,372,252	9,187,203	11,422,067	9,194,478	5,509,637	13,209,159	8,973,769	9,620,659	10,350,358
Skamania	2,162,216	788,119	2,385,689	3,933,138	755,801	768,791	55,235	68,576	533,038	113,255
Snohomish	13,347,951	16,030,098	3,427,872	13,750,038	14,528,018	8,543,151	6,452,352	10,398,846	13,664,903	10,539,316
Stevens	33,941	31,821	36,075	43,894	30,236	43,769	33,815	39,619	36,945	29,677
Thurston	6,202,584	11,252,520	8,127,942	7,573,165	6,156,550	8,080,735	3,770,580	4,523,536	6,270,700	6,528,456
Wahkiakum	2,137,474	5,461,307	1,164,313	2,503,796	1,481,581	2,244,642	2,414,098	2,011,817	1,015,082	2,554,935
Whatcom	9,003,843	8,671,921	5,078,947	6,824,410	4,059,821	5,759,368	5,525,028	6,993,439	7,467,518	4,580,285
Totals	\$94,076,064	\$103,222,110	\$77,335,506	\$94,080,712	\$68,748,774	\$61,005,786	\$56,843,841	\$65,583,000	\$73,726,233	\$62,248,509

Note: Revenue is received daily by the Department of Natural Resources for activities on State Forest board lands and deposited daily at the Office of State Treasurer. Effective February 1998 these monies are remitted to each county via wire transfer a minimum of four times per month.

Due to the specific date monies are received by the Department and the cutoff dates used by the State Treasurer for wire transfers, the revenue for the current period may be different than actual remittances to date.

**Table 2. Total Projected Revenues to Counties from State Forest Board
Transfers and Purchase Lands ^{1/}**
(Dollars in Thousands)

County	October thru December 2005		January thru December 2006	
	High	Medium	High	Medium
Clallam	\$1,562.7	\$1,809.7	\$527.1	\$809.5
Clark	1,279.2	1,279.2	1,468.9	1,468.9
Cowlitz	2,264.7	2,447.8	781.4	781.4
Grays Harbor	1,078.2	1,078.2	350.2	350.2
Jefferson	1,466.5	1,984.9	19.9	19.9
King	699.7	699.7	24.2	24.2
Kitsap	72.4	72.4	16.4	16.4
Klickitat	109.4	141.6	2,122.1	2,122.1
Lewis	31.1	5,650.0	2,687.0	2,712.0
Mason	82.3	82.3	72.9	1,250.3
Pacific	647.6	647.6	85.8	1,029.6
Pierce	0.0	458.8	1.8	568.9
Skagit	2,140.3	2,140.3	5,168.5	5,221.9
Skamania	9.2	261.5	1,012.7	1,012.7
Snohomish	844.1	1,144.2	2,941.5	3,469.0
Stevens	2.6	2.6	23.2	23.2
Thurston	849.6	849.6	259.8	1,187.2
Wahkiakum	166.8	166.8	136.1	136.1
Whatcom	687.8	687.8	1,223.3	1,223.3
Totals	\$13,994.1	\$21,604.9	\$18,923.0	\$23,427.0

^{1/} **High - 90 percent reliability that timber harvest will occur and stated revenue will be transmitted.
Medium - 50 percent reliability that timber harvest will occur and stated revenue will be transmitted.**

Note: Projected revenues are based on timber purchaser's logging plans as of [September 2005](#). These plans change with changes in the economy and the business needs of each purchaser. Department of Natural Resources' region staff should be contacted concerning possible fluctuations in timber harvest for sales currently under contract and the schedule of future sales on State Forest Board Lands in your county.

Table 2A. Projected Timber Harvest Revenues to Pierce County from State Forest Board Transfer and Purchase Lands by Legal Description
(Thousands of Dollars) ^{1/}

Sale App. Number	Sale Name	Expiration Date	Legal Description			October thru December 2005		January thru December 2006		Value Under Contract after Dec-06
			Section	Township	Range	High	Medium	High	Medium	
75786	Red Heckle	10/31/06	8, 17	15N	5E	0.0	0.0	0.0	126.4	0.0
75799	Brain Strain	10/31/05	8,16,17	15N	6E	0.0	458.8	0.0	0.0	0.0
76002	Gobbler	10/31/06	16,17,18,20	15N	5E	0.0	0.0	0.0	440.6	0.0
Total						\$0.0	\$458.8	\$0.0	\$567.1	\$0.0

^{1/} High - 90 percent reliability that timber harvest will occur and stated revenue will be transmitted.

Medium - 50 percent reliability that timber harvest will occur and stated revenue will be transmitted.

Values are cumulative from high to medium probability.

Note: Projected revenues are based on timber purchaser's logging plans as of [September 2005](#). These plans change with changes in the economy and business needs of each purchaser. Department of Natural Resources regional staff should be contacted concerning possible changes in timber harvest plans and for copies of sale area maps for specific locations of timber sales within the legal descriptions listed above.

Table 3. Volume and Net Value of Timber under Contract on State Forest Board Transfer and Purchase Lands for Harvest after Calendar Year 2006 ^{1/}

County	Volume (mbf)	Net Value
Clallam	9,882	\$1,551,606
Clark	0	0
Cowlitz	0	0
Grays Harbor	0	0
Jefferson	0	0
King	1,319	166,358
Kitsap	0	0
Klickitat	0	0
Lewis	743	218,259
Mason	0	0
Pacific	0	0
Pierce	0	0
Skagit	403	56,540
Skamania	0	0
Snohomish	0	0
Thurston	0	0
Wahkiakum	0	0
Whatcom	4,290	1,081,110
Totals	16,637	\$3,073,872

^{1/} Normally, counties receive 78 percent of Forest Board Transfer revenues and 26.5 percent of Forest Board Purchase revenues.

Note: The sales represented here are currently under contract as of December 2005. This timber could be harvested at any time depending on market conditions and business needs as determined by each purchaser. Sales to be sold in the future could provide additional revenue to your county. Department of Natural Resources' region staff should be contacted concerning future sale activity and dates.